

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
On Its Own Motion)	
)	
v.)	Docket No. 01-0470
)	
The Peoples Gas Light and)	
Coke Company)	
)	
)	
Proposal to revise Riders SVT, AGG)	
Rider 2 Terms and Conditions,)	
and Table of Contents.)	

DIRECT TESTIMONY
OF
DAVID WEAR

- 1 Q. Please state your name and business address.
- 2 A. David Wear. 150 North Michigan Avenue, Chicago, Illinois 60601.
- 3 Q. By whom are you employed?
- 4 A. The Peoples Gas Light and Coke Company ("Peoples Gas" or
- 5 "Respondent").
- 6 Q. What position do you hold with Peoples Gas?
- 7 A. My current title is Manager of Gas Supply Administration.
- 8 Q. What are your responsibilities in that position?
- 9 A. I am responsible for negotiating, contracting, and dispatching the assets
- 10 that make up the gas supply portfolio of Peoples Gas.
- 11 Q. Please summarize your educational background and experience.

12 A. I received a Bachelor of Science degree in Liberal Arts and Sciences
13 (Geology) from the University of Illinois at Urbana-Champaign in 1981, and a
14 Masters in Business Administration from the University of Illinois at Chicago in
15 1989. I began my employment with Peoples Gas in July of 1989 as a Staff
16 Computer Control Analyst in the Information Systems Planning and
17 Administrative Services Department. While in that department, I worked with
18 client areas in assessing their data processing needs, and I assisted in the
19 design, acquisition, and implementation of various computer systems. In April of
20 1991, I was promoted to Associate Computer Control Analyst and participated in
21 corporate strategic information systems planning. I joined the Gas Supply
22 Contracts Department in January of 1993 as a Gas Supply Contracts Analyst
23 with responsibilities for managing term supply contracts, spot gas activities, and
24 pipeline logistics. Shortly after, this department merged with the Federal
25 Regulatory Affairs Department to become Gas Supply Administration. As a
26 member of Gas Supply Administration, I have held the titles of Senior Gas
27 Supply Contracts Analyst, Senior Gas Supply Trader, and Supervisor, before
28 becoming Manager of the department in April of 2000.

29 Q. What is the purpose of your direct testimony in this proceeding?

30 A. The purpose of my direct testimony is to address four elements of
31 Respondent's proposed tariff changes to expand and revise its current small
32 volume customer transportation program ("Choices For Yousm" or the "Program").
33 First, I will describe the need for the proposed provision, "Operational Integrity,"
34 that would be added to the Terms and Conditions of Service. Second, I will

35 explain why the daily and monthly tolerances associated with the Required Daily
36 Delivery Quantity ("RDDQ") are reasonable. Ms. Egelhoff, in her direct
37 testimony, explained how these tolerances apply to the RDDQ. Third, I will
38 address the gas supply planning considerations that were relevant to the phased-
39 in enrollment schedule that Ms. Egelhoff described in her direct testimony.
40 Fourth, I will discuss the way in which Respondent uses certain purchased
41 services to provide balancing and storage service.

42 Q. Please describe the new provision in the Terms and Conditions of Service.

43 A. Essentially, the new Operational Integrity provision in the Terms and
44 Conditions of Service would enable Respondent, for operational reasons, to limit
45 the quantity of gas that it will accept from suppliers at any of its citygate stations.
46 Respondent would provide notice of these limitations to shippers no later than
47 two hours prior to the applicable nomination deadline. For example, Respondent
48 might need to restrict deliveries from Trunkline Gas Company ("Trunkline") to no
49 greater than 200,000 MMBtu for the next gas day. Respondent would post this
50 notice to its electronic bulletin board and to its recorded message hotline to
51 enable shippers to respond accordingly. After the nomination deadline,
52 Respondent would confirm with Trunkline, only natural gas deliveries up to the
53 specified limit, and according to the pipeline's tariff.

54 Q. Would this provision apply only to the Program?

55 A. No. The provision would apply to all shippers, including Respondent, who
56 have nominated deliveries on the pipeline(s) affected by any limitations or
57 restrictions.

58 Q. Why is the Operational Integrity provision needed?

59 A. Respondent's load patterns and load growth are always changing in
60 addition to changes to its transmission and distribution systems. As new pipeline
61 interconnects are added, (Respondent currently interconnects with six upstream
62 interstate pipelines, and more are contemplated in the near future), maintaining
63 efficient operation of its system becomes more complex. Achieving safe and
64 reliable service is also complicated by the fact that each year, as transportation
65 volumes become a greater percentage of the supplies entering Respondent's
66 system, less volume is under Respondent's direct control. Although Respondent
67 maintains a diverse supply portfolio, it does not have contractual assets on each
68 of the six upstream pipelines, and therefore, must require the cooperation of all
69 shippers in order to maintain the required balance of supplies entering its system.
70 It is important to make this change in connection with this filing, which will
71 increase the transportation volumes delivered to Respondent's system.

72 Q. Please describe the daily and monthly tolerances associated with the
73 Required Daily Delivery Quantity ("RDDQ").

74 A. Each supplier would have a three percent daily tolerance and a one
75 percent monthly tolerance with respect to its RDDQ. In other words, on any
76 given non-Critical Day, the supplier may bring in an amount that is within three
77 percent (higher or lower) of its aggregate RDDQ. As Ms. Egelhoff explained, on
78 Critical Days, the tolerance is limited to variances that would not be detrimental
79 to Respondent's system. By the end of the month, each supplier's actual
80 deliveries must be within one percent (higher or lower) of the aggregate monthly

81 RDDQ. This will enable suppliers to modify their daily deliveries to react to
82 changing market conditions, or to minimize the need for daily nomination
83 changes, subject to any corrections needed to bring month-end deliveries within
84 the tolerance.

85 Q. Please explain why the level of the tolerances is reasonable.

86 A. These tolerances are similar to the type provided to Respondent by
87 Natural Gas Pipeline Company of America ("NGPL"). However, the percentages
88 in this Program are less than those provided by NGPL since Respondent expects
89 that only a portion of the supplies delivered as part of this Program will be on
90 NGPL. In light of NGPL being the only upstream pipeline that offers such
91 tolerances, it is Respondent's belief that the proposed percentages are
92 appropriate. These tolerances are limited under the Program during
93 Respondent's Critical Days as they are likely not to be available to Respondent
94 from NGPL on such days.

95 Q. What gas supply issues were considered in developing the customer
96 enrollment limitations?

97 A. Respondent has proposed a phased-in approach for expanding the
98 Program in order to address certain gas supply planning considerations.
99 Generally, Respondent enters into contracts with terms of one to three years with
100 pipelines for firm transportation, storage operators for leased storage, and natural
101 gas suppliers for supply, however, it does have firm contracts with longer terms.
102 These assets are needed to meet annual, seasonal, and daily gas supply
103 requirements. The design-day supply portfolio also includes a reasonable

104 reserve margin that provides for, among other things, the possibility of supply
105 loss due to the interruption of firm pipeline service. Respondent makes a
106 determination of the amount of assets to contract for by projecting not only
107 demand requirements, but also migration of sales customers to transportation
108 service. Respondent believes that the enrollment limitations will allow for an
109 orderly reduction in or realignment of these assets and thereby minimize the
110 possibility of retail sales customers subsidizing those customers participating in
111 the Program.

112 Q. Ms. Egelhoff, in her direct testimony, described the Company's decision to
113 increase the amount of storage available under the Program, and she noted the
114 relationship of storage and balancing assets to support that proposal. Please
115 describe how Peoples Gas uses its purchased services to provide balancing and
116 storage.

117 A. Respondent purchases storage services, with related transportation, that
118 provide for both seasonal storage and for daily balancing. In general, storage
119 injections result when deliveries exceed consumption, and storage withdrawals
120 result when consumption is greater than deliveries. Generally, the amount of
121 storage capacity determines the injection and withdrawal parameters. As one
122 would expect, these parameters are designed to accommodate injections during
123 the summer and withdrawals during the winter, hence the seasonal aspect of
124 storage.

125 All of Respondent's storage services also provide some degree of
126 flexibility in their storage and withdrawal schedules, thereby allowing it to vary the

127 amount of gas injected or withdrawn from one day to the next. In addition, some
128 of Respondent's storage services provide for a limited amount of "out of season"
129 activity (summer withdrawals and winter injections). Lastly, and most notably,
130 some of storage services combine a "no-notice" attribute to the daily injection and
131 withdrawal parameters. These characteristics make up the balancing aspect of
132 storage. Balancing is an essential component of Respondent's storage portfolio,
133 to allow it to adjust to variations between estimated and actual demand that takes
134 place on its system.

135 By the nature of their design, balancing and storage components are
136 inextricably combined in Respondent's storage assets.

137 Q. Does this conclude your direct testimony?

138 A. Yes, it does.